

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 XMB-02 EB-08 ACDA-12 CIAE-00
INR-10 IO-13 L-03 NSAE-00 NSC-05 NRC-05 OES-07
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FM AMEMBASSY SEOUL
TO SECSTATE WASHDC PRIORITY 9599
INFO AMEMBASSY LONDON
AMEMBASSY TOKYO

C O N F I D E N T I A L SEOUL 1667

PASS EXPORT-IMPORT BANK FOR HEIDRICH

PASS AMBASSADOR SNEIDER

E.O. 11652: GDS
TAGS: BEXP, EFIN, BENC, OECD, UK, US
SUBJ: KORI NUCLEAR POWER STATIONS THREE AND FOUR

REF: A) SEOUL 1495, B) SEOUL 1467, C) SEOUL 1599

1. ON FEBRUARY 28 EMBASSY OFFICERS CONTACTED ROKG
OFFICIALS AS WELL AS US COMMERCIAL SOURCES IN AN
ATTEMPT TO GET A BETTER HANDLE ON THE DEVELOPMENT SUGGESTED
IN REFERENCE MESSAGES RELATED TO THE NUCLEAR COMPONENTS OF
THE KORI THREE AND FOUR PROJECT. WHILE WE ARE A LONG WAY FROM
UNDERSTANDING EXACTLY WHAT HAS HAPPENED WITHIN THE KECO,
MINISTER OF ENERGY (MER) AND ECONOMIC PLANNING BOARD (EPB), WE
HAVE CONCLUDED THAT THE KOREANS ARE DETERMINED TO PRESS US ON
THE ISSUE OF SENATOR STEVENSON'S THREATS TO BLOCK EXIM FINANCING
ON THIS PROJECT. IN CONVERSATIONS THIS DAY WITH KECO, WESTING-
HOUSE OFFICIALS HAVE BEEN TOLD THAT KECO IS UNDER SUBSTANTIAL
PRESSURE (PRESUMABLE FROM MER AND EPB) TO REOPEN OPTIONS
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WHICH WOULD ALLOW KECO TO PROCURE NSSS COMPONENTS FROM NON-
US SUPPLIERS SHOULD THE STEVENSON THREAT BECOME A REALITY.
WHILE THE KECO REACTION TO THE PRESS STORIES WOULD APPEAR TO
BE UNWARRANTED GIVEN THE FACT THAT THE KORI THREE AND FOUR
PROPOSALS HAVE NOT YET ENTERED CONGRESS, WE DO RECALL THAT KECO
HAS HAD ITS OWN EXPERIENCES WITH US SENATE BLOCKAGE OF
EXIM FUNDING PACKAGES FOR PREVIOUS FACILITIES. IN MAKING

THESE POINTS WITH THE WESTINGHOUSE REPRESENTATIVE, KECO VICE PRESIDENT SUNG STRONGLY IMPLIED THAT WHILE KECO AND THE ROKG WANTED TO RETAIN THEIR CONTRACT WITH WESTINGHOUSE, SOME "POSITIVE DEVELOPMENTS" WOULD HAVE TO TAKE PLACE "WITHIN THE NEXT FEW DAYS" OR KECO WOULD HAVE NO CHOICE BUT TO INVITE THE RENEWED INTEREST IN KORI THREE AND FOUR OF FRAMATOME AND KRAFTWERK UNION.

2. WHILE THE KECO DEMARCHE TO WESTINGHOUSE COULD BE INTERPRETED, IF WE WERE SO INCLINED, AS COMMERCIAL BLACKMAIL, WE DO NOT PERCEIVE KECO'S APPROACH AS NECESSARILY DEGRADING THE QUALITY OF THE US/ROK DIALOG ON THIS PROJECT. RATHER WE SEE KECO REACTING IN A TYPICALLY KOREAN FASHION TO BUREAUCRATIC PRESSURE TO EXPEDITE THE KORI THREE AND FOUR PROJECT AND ASSURE TO ITS SENIOR MINISTRIES US FINANCIAL SUPPORT FOR THE SELECTED NSSS SUPPLIER. KECO AND THE ROKG REGARD THE STEVENSON THREAT AS CREDIBLE AND ARE RESPONDING SOMEWHAT EMOTIONALLY TO WHAT THEY SEE AS A US CONGRESSIONALLY IMPOSED POLITICAL CONDITION ATTACHED TO A STRAIGHT COMMERCIAL PROJECT.

3. OVER THE NEXT FEW DAYS UNLESS INSTRUCTED OTHERWISE WE WILL MAKE EVERY ATTEMPT TO IMPRESS ON ROKG OFFICIALS, PARTICULARLY EPB AND KECO, OUR CONCERN THAT THE ISSUE HAS BECOME TOO EMOTIONAL TOO QUICKLY AND THAT THE STATEMENTS OF SENATOR STEVENSON DO NOT REFLECT A DECISION OR DECIDED INTENTIONS OF THE USG. OUR CONFIDENTIAL

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OBJECTIVE IS TO DISCOURAGE KECO FROM APPLYING PRESSURE ON A US PRIVATE FIRM WHICH CANNOT REASONABLY BE EXPECTED TO DELIVER POLITICAL ASSURANCES EITHER FROM THE US EXECUTIVE OR LEGISLATIVE BRANCH. WE WILL EMPHASIZE THAT AS FAR AS WE ARE CONCERNED, THE EXIM APPROVAL PROCESS IS ON TRACK AND SHOULD BE ALLOWED TO RUN ITS NORMAL COURSE.

4. WE WOULD APPRECIATE ANY COMMENTS OR GUIDANCE ON THIS ISSUE WHICH THE DEPARTMENT MAY BE ABLE TO PROVIDE AND, IF AVAILABLE, WOULD WELCOME ANY ROUGH ESTIMATES ON A TIMEFRAME OF THE KORI THREE AND FOUR LOAN SUBMISSION AND APPROVAL PROCESS. WE WOULD LIKE TO MAKE USE OF THIS INFORMATION IN THE PROCESS OF DEFUSING THIS ISSUE AND REASSURING THE UTILITY AND THE ROKG.
STERN

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